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## Number of agents on the rise in Hawaii

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Mark Inouye has roughly 25 years of work history that he split between federal law enforcement and stock brokering in Hawai'i, but last month the 51-year-old Honolulu resident started down a third career path — selling real estate.

Inouye's timing isn't the best. He's becoming a real estate agent on O'ahu just as the state's largest housing market appears to be on pace for its lowest number of annual sales in nearly a decade.

But surprisingly, Inouye isn't entering a shrinking employment sector. The number of real estate agents with active licenses on O'ahu is up 6 percent to 9,020 this year through mid-April over the same time last year when there were 8,503 agents, according to the state Real Estate Commission.

"Like in the stock market, whether it's a bull market or a bear market, you can always make a career at it," Inouye said. "There's always opportunity."

The continued expansion of agent ranks may reflect optimism in a market that continues to surprise many observers as median prices have avoided significant declines that have rocked many Mainland housing markets.

On O'ahu, the median single-family home price is down about 1 percent to \$630,000 for the first five months of this year over the same period last year, while the median condominium price set a new record at \$337,300 last month and is up 2.5 percent this year through May over a year ago.

But combined single-family home and condo sales are down 25 percent this year through May, which if carried through the full year would result in about 6,800 sales, or the lowest level since 6,151 sales in 1999.

## agent Ranks to thin

The sales slowdown in O'ahu's housing market started in 2005 when sales were flat at 12,607, then accelerated with close to 15 percent declines in each of the past two years that put sales at 9,126 last year.

Industry veterans say there is typically a lag between when sales fall significantly and agent ranks thin, so they expect the number of agents may begin to drop next year.

"I don't think we're there yet," said George Uyeno, brokerage manager for Abe Lee Realty. "I think it's going to take another year."

Uyeno said a shakeout next year will likely result from many agents not renewing their licenses by a Nov. 30 deadline this year. Real estate license renewals occur only every two years, so there was no renewal requirement last year.

"Many of them are going to think twice about renewing," he said. "It's hard for many of the agents right now. You're starting to hear people say, 'It's really slow. I'm not making it.' "

Bill Chee, president of Prudential Locations, also predicts a significant purge in agents next year because fewer are taking continuing education courses required to renew their licenses.

"There's clearly going to be a drop in the number of agents," he said. "The question is how many?"

Pressure has been building in the industry over the past few years as more agents compete for less business — a reversal in the market where just a few years ago some agents were turning away customers.

However, there's still a relatively high amount of income to go around considering that the typical sale commission on a median-priced house or condo is twice what it was in 2001 because real estate values have doubled since then.

There's also still a relatively moderate number of agents historically for how many homes are selling. Last year, there were fewer agents per home transaction than there were at the peak of O'ahu's previous housing boom in 1990.

The 1990 peak, which came after a roughly five-year doubling of median home prices, stood at 12,439 agents with active licenses on O'ahu while there were 8,893 single-family home and condo sales.

The 1990 agent peak occurred three years into a gradual sales slowdown and one year before the first median single-family home price decline that marked the beginning of a near-decade-long slump during which the number of active agents dwindled by more than half to a low of 5,775 in 1999.

Since 2000 when O'ahu's housing market began pulling out of its previous slump with slight median price gains, the number of active real estate agents has gradually risen almost every year.

The number of active licensees went flat last year, but this year is moving higher again.

Nearly all of the gain in licensees happened on O'ahu, while the number of licensees is slightly down in the past two years on Maui, the Big Island and Kaua'i, according to Real Estate Commission data.

Statewide, there were 14,838 active licensees this year through mid-April, up from 14,613 a year earlier but about flat from 14,800 in mid-2006.

Real Estate Commission licensing data, however, don't exactly reflect how many new residential real estate agents are entering the business because the statistics include commercial real estate agents and property managers.

A count by the state Department of Labor and Industrial Relations shows a similar trend in real estate industry workers, including rental and leasing agents, rising from 8,550 in the past two years to an average of 8,625 this year through April.

To preserve or increase market share in a shrinking sales environment, brokerage firms often try to maintain or increase the number of agents they have to make sales.

## Referral strategy

In one interesting strategy, Abe Lee Realty, which teaches pre-licensing classes for would-be agents, recently launched a recruiting program that aims to mint new agents who only would refer business to the company.

Abe Lee Realty offers participants in its "referral agent" program 20 percent of a sales agent's 3

percent commission if a referral customer buys a house through the company.

The cut would amount to \$3,000 on a \$500,000 home. As part of the deal, Abe Lee Realty is offering to reimburse a new agent for the \$450 cost of the pre-licensing class and other license-related fees if a purchase is made by a referral.

Other local brokerage firms, including Prudential Locations and Coldwell Banker Pacific Properties, operate referral affiliates where agents can maintain their license and earn a slice of sales commissions.

O'ahu's two largest residential real estate brokerage firms said they are maintaining stable agent ranks.

Prudential Locations said it has 281 agents, or just four fewer than a year ago, in part because of recruiting efforts.

Coldwell Pacific has maintained about 500 agents this year and last year. Tracy Bradley, regional vice president for the firm, said fewer new agents joined Coldwell Pacific but more joined the company from competing companies.

Bradley said the number of people taking a 60-hour class Coldwell Pacific offers for would-be agents planning to take the state licensing exam dropped last year and was down again earlier this year, though there was a rebound to bigger class sizes in recent months.

John Conneley, principal instructor at Coldwell Pacific's real estate school, said he's seeing more candidates now who are more serious about a long-term career in the business, as opposed to a few years ago when the frenzied market attracted some people who expected to make quick and easy money.

Michelle Valera, a 38-year-old mother of four from Waipi'o Gentry, joined Coldwell Pacific as a new agent in January. She said the timing of her youngest child starting kindergarten allowed her to pursue a flexible-hour full-time career in real estate.

Also appealing to Valera, who built a business with her husband manufacturing and selling candies and nuts over the past seven years, was the selfemployment aspect of being an independent real estate agent.

"I was not discouraged at all (by the decline in home sales)," she said. "I saw it as an opportunity to do what I always wanted to do."

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